

BEFORE THE
POSTAL RATE COMMISSION

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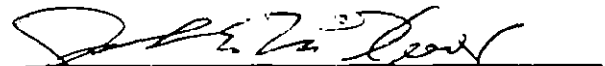
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
DOCKET NO. R97-1

ERRATA TO FIRST SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE
(UPS/USPS-1 through UPS/USPS-3)

(July 23, 1997)

United Parcel Service hereby serves the following errata to its "First Set of Interrogatories and Requests for Production of Documents from United Parcel Service to United States Postal Service (UPS/USPS-1 through UPS/USPS-3)," served July 18th. The attachments to UPS/USPS-2 and UPS/USPS-3 were inadvertently omitted from the original filing and are attached hereto. These pages have been faxed to the Postal Service. UPS apologizes for any inconvenience this may cause.

Respectfully submitted,



John E. McKeever
Albert P. Parker
Stephanie Richman
Attorneys for United Parcel Service

Schnader Harrison Segal & Lewis LLP
1600 Market Street, Suite 3600
Philadelphia, PA 19103-7286
(215) 751-2200
and
1913 Eye Street, N.W., Suite 600
Washington, D.C. 20006-2106

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tech tangle

Lawsuit may have strong impact on all software users

Picture this: You've hired an ISO (independent service organization) to come in and work on your mailing equipment. The service person turns it on and runs a built-in diagnostic program. In so doing, they have just violated copyright and are liable for civil prosecution.

That's one of the worst-case scenarios claimed possible by the Business Technology Assn. (BTA) under a ruling in a federal law suit filed by Triad Systems Corp., a proprietary computer system reseller, against South-eastern Express Systems (SES), Macon, GA, an ISO.

The computer system in question is used for automobile parts inventory, but the BTA also includes AIMED — the Assn. of Independent Mailing Equipment Dealers. **The decision could have direct impact on mailer-specific hardware/software systems.**

SES got in trouble simply for doing the job it was hired to do, says Jerry Wambolt, VP. SES has countersued claiming antitrust violations. The bottom line is if the ruling stands, any computer managed system that uses copyrighted software could only be serviced by the original equipment manufacturer, or their designated service organization. BTA alleges.

Not so, says Charles Crompton, Esq., of McCutchen, Doyle, Brown and Enerson, who represents Triad. Crompton alleges that SES deliberately used Triad proprietary software for diagnostic purposes and the unauthorized copy of the software existed in ROM. Had SES sought a license, or used its own diag-

(Continued Page 2, Column 1)

classification reform

Parcel Reclass filing has some pricing surprises

USPS has finally made it's long awaited parcel reclass filing with the Postal Rate Commission (PRC). If all goes well, changes should be in effect by the fall. The case is substantially as we described it (PW 10/21/96), but beware of some curves.

For instance, while Express and Priority Mail are not included, the pick-up fees are. They would jump up to \$7.75/each. Also, hazardous materials would be hit for a 50¢/piece fee, and mailable hazmat would get a \$1/piece fee.

For a full copy of Order #1157 covering the Docket No. MC97-2, check the PRC website: www.prc.gov

What's inside

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nostics, there would be no problem, says Crompton.

Most copyright law was written before the advent of computers. Thus, even a change favorable to SES will not totally lift the burden. An attempt at clarification is under way in Congress. Rep. Joe Knollenberg (R-MI) is the author of a bill (HR 71) that would free ISOs to use such diagnostics resident in the machine, according to Knollenberg staff.

Questions or comments on the bill, which passed in The House last year, may be sent to: Office of Rep. Joseph Knollenberg (R-MI-11), 1511 Longworth House Office Bldg, Washington, DC 20515-0001. ☐

paper crack down

Opting orders and invoicing out of mail translates to massive savings

The first rule of postage cost cutting is paper reduction. Less paper means fewer pieces, and lighter weight.

At the extreme end of this, as if USPS didn't already know it, is opting out of the mailstream altogether. For instance, we hear from Bob Kittell, internal computer consultant, CITGO Petroleum Corp., Tulsa, OK, that part of the company plan to cut costs is switching as many middleman petro marketers as possible to EDI (electronic data interchange).

According to Kittell, approximately 1/3rd of paper invoices sent to these folk have been converted to EDI, as have the incoming orders. This, combined with postage reduction through reclass discounts on the remaining pieces — for clients without the capacity for EDI, is saving CITGO some \$50k/year. ☐

high output mail ops

Production center recovers \$250k upgrade in less than 6 months

Thud! Here's 8-10 million more outgoing mail pieces per month. Now, merge them into your operation. Sound impossible?

That's what happened when American Express decided to shut down one of its billing centers and consolidate all mailings into its Fort Lauderdale, FL, center.

The prospect of having to add over a dozen new workers — and the related personnel costs — provided the impetus for installation of an Automated Mailtray Processing System (AMPS) to go along with AmEx's existing Pitney Bowes StarPort system, says Derrick Myers, dir., billing ops.

The \$250k installation automates much of mail tray handling. As a tray is filled, it moves down a line where a barcoded tray tag is added by hand. The next steps — weighing, sleeving and banding are handled entirely by the automated AMPS machinery.

Because new staff were not added, the cost of the system paid for itself within a few months, says Myers.

The AMPS is neatly integrated with the PB StarPort system. A Monarch Marking pressure sensitive printer/applicator automatically adds the USPS D&R (Destination and Routing — formerly ACT) tag to the top of the sleeve. While the tray gets weighed and the barcoded end label tag is scanned, the data is automatically collected and transmitted by modem to the USPS Airport Mail Facility. This process allows each tray to be automatically assigned to a particular flight.



Sources: Carter Control Systems, 5711 Industry Ln Ste 31, Frederick, MD 21704-7275, (301) 698-9660; Square D Co., 1415 S Roselle Rd., Palatine, IL 60067-7399, (847) 397-2600.☐

USPS marketing strategy

Kane seeks to smooth the bumpy USPS marketing ride

A return to normalcy: That seems to be the theme from Allen Kane, who moved from Postal Service ops to head marketing since the recent departure of Loren Smith. Kane is a 27-year USPS insider and seeks to move the focus of USPS marketing from the highly experimental — such as the unlamented Neighborhood Mail — to what he considers the basics, such as:

1) **USPS bread and better core business products** — such as Priority mail, Standard (A), and parcels will be the cornerstones of revenue and service.

2) **Growing market segments**, including philatelic sales especially those that might relate to cultural diversity, promoting overseas business, and a general boost to mail order services.

3) **Value added services** — such as scanning incoming payments and relaying data to customers.

4) **New customer ops** — setting correct local retail hours, greater use of stamp vending machines in convenient and profitable locations, and a willingness to run R&D tests.

What does this mean in practical terms? Mailers should watch for a number of developments that feature innovative marketing based on a firm foundation of existing services at the National Postal Forum in New Orleans in May.

One of these will likely relate to **FAST-NET** — the localized overnight parcel post delivery concept tested in 13 markets. The project has been deemed as success and will be rolled together with a medley of package services. Questions of pricing, and the possible need for a rate filing for the group of

services have yet to be resolved.

Also, **Pack and Send** may not be completely dead. USPS execs may yet approach the Board of Governors for a filing in compliance with the Postal Rate Commission ruling, says Kane.

As for other new products, USPS is looking toward economical methods of providing self-service: for tapping into the PC-based SOHO market, ways to provide better money-order and similar bank-like services for the 20% of adults who do not have checking accounts, and methods of defending 1C message market share.☐

state government mail: real revenue

Side benefit of NCOA plus DP trick proves great for tax booklet mailing

How's over \$16k/year saved for a dividend? The Colorado Dept. of Revenue, Denver, CO, is reaping a happy side benefit from NCOA and related list fixes, says Leonard Schlenz, mgr., document processing.

The state got into using NCOA through a private service bureau because of its 1C mail needs, says Schlenz, especially to maintain barcode discounts for tax billings and refunds. However, the mailing of annual income tax booklets/forms — sent at the Standard (A) rate — has gotten a benefit as well — since the list is the same.

Instead of 10 hampers of UAA booklets returned — through a governmental cooperative deal with USPS, the booklets are recovered and re-labeled, not wasted — this year, there was only one hamper full.

The result: Booklets no longer have to be remailed at the full 55¢ rate to requesters — which is usually what happens when the booklet isn't received close to deadline. That cost avoidance adds up to about \$10k, less \$4k for NCOA processing of the 1.8 million address database.

Further, Schlenz has worked with Colorado DMV data processing gurus to develop a list of new residents. The list is derived from persons who have surrendered

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their out of state licenses — some 125k, cross checked against those already on the income tax roles, leaving a final new resident list of 80k.

Again, that list was mailed to at the cheap Standard A barcoded rates, preempting many phone requests fulfilled at the premium 1C rate. Based on just 50% of those on the new resident list making phone requests, the savings in postage alone is conservatively an additional \$10k, we estimate.☞

site visit report: NEA

Efficiency & economy sought through centralized automation

Gaining the confidence of users is a key factor in cutting costs for Jose Arce, Jr., mgr., printing and mailing services, for the 2.1 million member National Education Assn. (NEA).

Over the years many mailing functions have slipped out of the hands of the NEA mail center due to less than stellar service. This type of decentralization often leads to higher costs through reduced buying power and duplicative effort. Arce, his staff and higher-ups, have sought to stem the tide.

Target #1 — incoming express: Since Arce took over mail ops early last year at the new 500-person NEA HQ in Washington, DC, he's used automation to replace personnel reductions from retirements.

Perhaps the most important application of automating is the innovative use of a \$20k Pitney Bowes Arrival system. Arce decided to go with three hand-held remote barcode scanner guns to better handle receipt of all accountable receivables — including large shipments — the boxes stay put and the user comes to them. Besides being able to read the barcodes of most shippers, the Arrival system generates its own internal control barcode stickers.

The hand-held units are also used in combination with a custom printed signature record manifest to confirm deliveries. As pieces are distributed, the internal control barcodes are scanned and recipient initials

are recorded on the unit's keypad. If the specific recipient is not available then someone else in the department takes responsibility. Confirmation data is downloaded into the Arrival system and the signed manifest is kept on file for a year.

Drawback: The hand-held barcode scanners are less than perfect. They regularly require reformatting, and battery life leaves something to be desired. Fortunately, William Valentine, who handles receiving ops, has become expert at dealing with the units' quirks.

Advantage: Under the old pure paper log system signatures often went uncaptured and items were lost on a regular basis. Many hours would then be expended hunting down the piece. The cost of the system was justified in preventing lost items and the labor hours wasted.

Cost cutter tip: Beware of the severe markup PB and other resellers put on some items. Arce bought just one of the three hand-held scanners from PB. He saved money — over \$1,500 — by buying the other two units directly from the manufacturer.

Here are some other key ideas NEA is putting to work:

War on disbursed meters: There are 15 meters in areas other than the Mail Center in use throughout NEA HQ. One of Arce's goals is to get rid of them. He plans to convince management and the departments to give them up by arguing that hourly wages expended by upper floor staff are far higher than for his mail center. The cost savings in lower labor will justify the change. Other savings can be expected by eliminating excess meter fees and related costs.

Further, for those working late and/or still insisting on metering their own mail, he'll have a walk-up meter with a key control access — similar to the systems used for photocopiers — in the mail center.

Automated barcoding, tabbing and discounts: NEA benefits from barcode discounts on its mass membership mailings using Group 1 mainframe software. However,

smaller mailings generated out of HQ in support of local conferences and meetings generally mail at full 1C rates. Many of these pieces are fairly heavy — several ounces — and cost over a \$1 to mail.

To decrease postage costs, NEA recently purchased a Rena inkjet printer with Postal-Soft ZIP correction software. The intention is to have internal clients hand over lists through the LAN or on disk. Envelopes or labels with barcodes can then be generated, inserted and handed over to a presort bureau. Mailings in the thousands posted early enough may also go at the Standard (A) nonprofit rate for even more savings.

Internal delivery boost: Incoming mail is sorted in two custom-built adjustable shelf stations. Sorts are by department name to some 20 mail stops spread across 8 floors.

When the sorts are completed, mail is pulled and topped with a pink facing sheet with the mail stop ID in large letters. The sheets are kept handy by storing them in their specific mail sort bins. The bundle is then secured with a tying machine. The result is a secure package that can be distributed quickly with little chance of mis-delivery.☐

1C reclass regs: NCOA compliance

Abbreviated data entry helps relieve special problem for Amex

American Express (Amex) has to deal with approximately 1% change of addresses per monthly billing cycle, says Don Norton, supr., data services at Amex's Ft. Lauderdale, FL, facility. When updated COAs are required for 1C barcode discounts as of July 1st, Amex won't be caught napping.

Since August, Amex has mailed bills with a once-every-six months endorsement, "**Forwarding and Address Correction Requested.**" Paying 50¢ per hit. Why not use the less costly ACS (Address Change Service)? Because USPS data lines are too long, and Norton is worried about proper compression of data to match standardized Amex patterns. Hence, Amex has opted to pay the 30¢/piece higher rate.

COA hard copy notices and FOE returned pieces are keyed in by hand. The keying is aided by an inhouse developed data entry program that requires the operator to type in the full name, but only parts of the old address and city-state-ZIP line — plus the new address.

Fewer keystrokes mean greater speed. The processing line operates at 75 pieces/hr per worker, vs. the projected speed of 35 pieces/hr. This translates to a labor reduction from original projections of 20 full-time equivalents (FTEs) to just 8 FTEs. That yields a savings of about \$240k/year based on \$20k/person annual salary/benefits.

Further, Amex has refined the process by building a database that allows accurate projections based on product. Staffers now can be alerted to when the wave of COAs will hit each month, and how many there will be. The warning system allows for better staffing of flexible hour workers, says Norton.

Finally, Norton keeps an eagle eye fixed on the quality of COA pieces from USPS. Any he thinks are of dubious print quality are rejected and he gets USPS to give Amex credit when the COAs are re-issued on the next cycle.☐

major mail center ops

John Hancock takes consolidation steps to insure savings

With rare exception, businesses stay healthy when they stick to their knitting — doing what they do best. Similarly, corporate departments that go beyond their specific mission may find that their efforts become redundant and less efficient.

With that in mind, John Hancock Mutual Life Insurance, Boston, MA, is nearing completion of an effort to consolidate all print functions with outbound/internal mail, according to Clyde Wilder, 2nd VP, admin. services.

For instance, MIS ops had been printing and delivering reports/other output. MIS refocused on strategic technology, and turned those functions over to the unified print/mail

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ops. In short, when data changes from bits and bytes into hard copy, it's no longer the responsibility of MIS — its print/mail's baby. The benefits of consolidation:

✓ **Space savings:** Some 6,700 sq. ft. of redundant print and mail-related ops space have been freed for other purposes.

✓ **Labor reduction:** When mailing and printing merged, staffing was cut by 30%, saving several hundred thousand dollars per year.

✓ **More postage discounts captured:** \$70k was invested to upgrade the B&H MLOCR sorter/barcoder with a new Advanced Technology Reader that reads more accurately at high speeds and has a wider font recognition range, says Wilder. That upgrade combined with reclass discounts should net an extra \$160k in postage savings/year, on a yearly volume of some 30 million pieces of 1C production mail.

Note: To comply with new address update requirements, John Hancock expects to add FastForward to its MLOCR. Since the mail is handled internally, Wilder hopes to find a way to relay address changes automatically back to MIS for further action.

✓ **Upgraded laser printers** have yielded savings through duplex print — saving some \$150k/year in paper, and a substantial sum in postage as well.

✓ **LAN access:** By allowing short runs of just a few thousand pieces to be transmitted over the LAN to laser printers in the production center, small jobs can also take part in the savings. The pieces can be easily merged into the main mail volume through the MLOCR. Small mailer activity scattered across PCs throughout John Hancock HQ can benefit from discounts and fully automated finishing/inserting.☐

briefs, events and resources

National Postal Forum Reminder

The next NPF is set for May 18-21, Earnest P. Morial Convention Center, New Orleans, LA. To attend, call: (703) 218-5011.

ZIP Code realignment postponed

Pompano Beach/Fort Lauderdale, FL, 3-digit ZIP Codes will remain as is until **July 1, 1998**, not 1997. USPS address mavens have backed off on the proposed realignment of 330/333 code territories at the request of the South Florida District. Questions? Call: (800) 238-3150.

Weather related delays

The recent severe weather in various parts of the country resulting in floods and storm damage has put a damper on postal delivery, with service to 5-digit ZIPs in 410, 450, 451, 452, and 470 affected in the Allegheny Area. Further, the Jacksonport, AR, PO (72075) has been destroyed with service now routed through Newport, AR (72112).

If you have access to RIBBS, get further details through <http://ribbs.usps.gov>.☐

www update: mail stuff on The Web

Tracking down data on high-rise rental properties

If you are looking for critical information to help improve delivery to high-rise rental units you might consider combining ZIP+4 apartment range data available under most commercial look-up software with specific building data.

A good source for this data is **Rent.net**. This is an apartment search service that has descriptions of buildings in most metro areas. The data includes building name, street address, and perhaps most important, total rental units. By comparing the total rental units with your own data you can establish if a mailing list, especially a saturation list, is generating too many, or too few pieces.

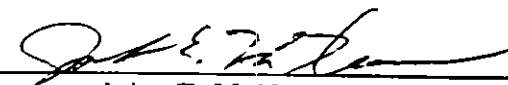
Further, Rent.net allows direct e-mail to the property management of buildings listed. Thus, it may be possible to deal directly with buildings where you are having delivery problems. However, a shortcoming of Rent.net is that buildings are not available in a flat listing by street. Check it out at: <http://rent.net>☐

**Cost Segment 3.1 Clerks and Mailhandlers (F9252=2,3, or 4)
IOCS F9250 (Taliy Dollars)**

CAG	1995 IOCS			1993 IOCS		
	Sum	Count	S/Obs	Sum	Count	\$/Obs
A	\$ 3,754,784	73,612	\$ 51	\$ 4,631,370	67,816	\$ 68
B	\$ 5,386,825	98,831	\$ 55	\$ 2,909,573	90,528	\$ 32
C	\$ 894,901	11,874	\$ 75	\$ 1,544,478	31,901	\$ 48
D	\$ 423,140	3,889	\$109	\$ 566,944	4,471	\$127
E	\$ 428,962	3,221	\$133	\$ 568,045	2,927	\$194
F	\$ 256,971	1,878	\$137	\$ 318,161	1,698	\$187
G	\$ 159,557	641	\$249	\$ 228,418	706	\$324
H	\$ 100,904	369	\$273	\$ 131,465	345	\$381
J	\$ 42,168	138	\$306	\$ 45,320	140	\$324
Sum	\$ 11,448,212	194,453	\$ 59	\$10,943,774	200,532	\$ 55

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.



John E. McKeever

Dated: July 23, 1997
Philadelphia, Pa.